EXHIBIT D

FORM 10–Q

ABBOTT LABORATORIES – ABT

Filed: August 03, 2005 (period: June 30, 2005)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10–Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 1–2189

ABBOTT LABORATORIES

An Illinois Corporation | **I.R.S. Employer Identification No. 36–0698440**

100 Abbott Park Road
Abbott Park, Illinois 60064–6400
Telephone: (847) 937–6100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒. No ☐.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b–2 of the Exchange Act). Yes ☒. No ☐.

As of June 30, 2005, Abbott Laboratories had 1,554,415,729 common shares without par value outstanding.

PART I. FINANCIAL INFORMATION

Abbott Laboratories and Subsidiaries

Condensed Consolidated Financial Statements

(Unaudited)

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Earnings

(Unaudited)

(dollars and shares in thousands except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net Sales	$ 5,523,800	$ 4,703,049	$ 10,906,479	$ 9,343,904
Cost of products sold	2,631,835	2,068,722	5,154,366	4,142,144
Research and development	445,258	436,510	881,914	841,088
Acquired in–process research and development	—	164,006	—	223,906
Selling, general and administrative	1,351,792	1,237,353	2,639,413	2,390,168
Total Operating Cost and Expenses	4,428,885	3,906,591	8,675,693	7,597,306
Operating Earnings	1,094,915	796,458	2,230,786	1,746,598
Net interest expense	43,244	34,896	85,514	70,337
(Income) from TAP Pharmaceutical Products Inc. joint venture	(107,153)	(120,231)	(189,998)	(221,904)
Net foreign exchange loss	9,568	16,149	6,522	20,626
Other (income) expense, net	2,786	(10,028)	4,422	(26,359)
Earnings from Continuing Operations Before Taxes	1,146,470	875,672	2,324,326	1,903,898
Taxes on earnings from Continuing Operations	269,418	240,794	609,386	506,746
Earnings from Continuing Operations	877,052	634,878	1,714,940	1,397,152
Earnings (Loss) from Discontinued Operations, net of taxes	—	(620)	—	60,015
Net Earnings	$ 877,052	$ 634,258	$ 1,714,940	$ 1,457,167
Basic Earnings Per Common Share –				
Continuing Operations	$ 0.56	$ 0.41	$ 1.10	$ 0.89
Discontinued Operations	—	—	—	0.04
Net Earnings	$ 0.56	$ 0.41	$ 1.10	$ 0.93
Diluted Earnings Per Common Share –				
Continuing Operations	$ 0.56	$ 0.40	$ 1.09	$ 0.89
Discontinued Operations	—	—	—	0.04
Net Earnings	$ 0.56	$ 0.40	$ 1.09	$ 0.93
Cash Dividends Declared Per Common Share	$ 0.275	$ 0.26	$ 0.55	$ 0.52
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,552,823	1,560,479	1,555,077	1,561,720
Dilutive Common Stock Options	16,083	10,007	14,678	9,838
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,568,906	1,570,486	1,569,755	1,571,558
Outstanding Common Stock Options Having No Dilutive Effect	22,469	57,950	22,469	57,950

The accompanying notes to condensed consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Cash Flows

(Unaudited)
(dollars in thousands)

	Six Months Ended June 30	
	2005	**2004**
Cash Flow From (Used in) Operating Activities:		
Net earnings	$ 1,714,940	$ 1,457,167
Less: Earnings from discontinued operations, net of taxes	—	60,015
Earnings from continuing operations	1,714,940	1,397,152
Adjustments to reconcile earnings from continuing operations to net cash from operating activities of continuing operations –		
Depreciation	436,130	430,681
Amortization of intangibles	241,727	211,856
Acquired in–process research and development	—	223,906
Trade receivables	245,285	66,076
Inventories	(3,250)	(173,554)
Other, net	(302,891)	422,081
Net Cash From Operating Activities of Continuing Operations	2,331,941	2,578,198
Cash Flow From (Used in) Investing Activities of Continuing Operations:		
Acquisitions of businesses and technologies	—	(1,965,351)
Acquisitions of property and equipment	(633,852)	(561,787)
Investment securities transactions	746,540	(758,118)
Other	11,629	11,735
Net Cash From (Used in) Investing Activities of Continuing Operations	124,317	(3,273,521)
Cash Flow From (Used in) Financing Activities of Continuing Operations:		
Proceeds from (repayments) of commercial paper, net	(820,000)	(378,000)
Proceeds from issuance (repayments) of long–term debt	(150,000)	1,500,000
Other borrowing transactions, net	12,857	(36,169)
Common share transactions, net	(412,384)	(227,362)
Dividends paid	(832,319)	(788,909)
Net Cash From (Used in) Financing Activities of Continuing Operations	(2,201,846)	69,560
Effect of exchange rate changes on cash and cash equivalents	(99,142)	852
Discontinued Operations:		
Net cash provided by operating and investing activities of discontinued operations	66,316	161,360
Financing activities of discontinued operations	—	700,000
Net cash provided by discontinued operations	66,316	861,360
Net Increase in Cash and Cash Equivalents	221,586	236,449
Cash and Cash Equivalents, Beginning of Year	1,225,628	995,124
Cash and Cash Equivalents, End of Period	$ 1,447,214	$ 1,231,573

The accompanying notes to condensed consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Condensed Consolidated Balance Sheet

(Unaudited)

(dollars in thousands)

	June 30 2005	December 31 2004
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,447,214	$ 1,225,628
Investment securities	87,488	833,334
Trade receivables, less allowances of $228,336 in 2005 and $231,704 in 2004	3,345,248	3,696,115
Inventories:		
Finished products	1,315,110	1,488,939
Work in process	556,806	582,787
Materials	667,371	548,737
Total inventories	2,539,287	2,620,463
Prepaid expenses, deferred income taxes, and other receivables	2,011,735	2,111,889
Assets held for sale	232,277	247,056
Total Current Assets	9,663,249	10,734,485
Investment Securities Maturing after One Year	127,990	145,849
Property and Equipment, at Cost	12,691,810	12,501,689
Less: accumulated depreciation and amortization	6,673,720	6,493,815
Net Property and Equipment	6,018,090	6,007,874
Intangible Assets, net of amortization	4,846,757	5,171,594
Goodwill	5,474,357	5,685,124
Investments in Joint Ventures and Other Assets	1,623,903	952,929
Assets Held for Sale	62,867	69,639
	$ 27,817,213	$ 28,767,494
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short–term borrowings	$ 1,012,682	$ 1,836,649
Trade accounts payable	942,600	1,054,464
Salaries, dividends payable, and other accruals	3,565,410	3,535,019
Income taxes payable	438,447	156,417
Current portion of long–term debt	4,264	156,034
Liabilities of operations held for sale	119,628	87,061
Total Current Liabilities	6,083,031	6,825,644
Post–employment Obligations, Deferred Income Taxes and Other Long–term Liabilities	2,630,968	2,826,489
Long–term Debt	4,720,073	4,787,934
Liabilities of Operations Held for Sale	1,230	1,644
Commitments and Contingencies		
Shareholders' Investment:		
Preferred shares, one dollar par value		
Authorized – 1,000,000 shares, none issued	—	—
Common shares, without par value		
Authorized – 2,400,000,000 shares Issued at stated capital amount –		
Shares: 2005: 1,569,012,429; 2004: 1,575,147,418	3,473,771	3,239,575
Common shares held in treasury, at cost –		
Shares: 2005: 14,596,700; 2004: 15,123,800	(213,156)	(220,854)
Unearned compensation – restricted stock awards	(57,431)	(50,110)
Earnings employed in the business	10,284,544	10,033,440
Accumulated other comprehensive income	894,183	1,323,732
Total Shareholders' Investment	14,381,911	14,325,783
	$ 27,817,213	$ 28,767,494

The accompanying notes to condensed consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2005

(Unaudited)

Note 1 – Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments necessary to present fairly the results of operations, financial position and cash flows have been made. It is suggested that these statements be read in conjunction with the financial statements included in Abbott's Annual Report on Form 10–K for the year ended December 31, 2004.

Note 2 – Spin–off of Hospira

On April 12, 2004, Abbott's board of directors declared a special dividend distribution of all of the outstanding shares of common stock of Hospira, Inc. For every 10 Abbott common shares held at the close of business on April 22, 2004, Abbott shareholders received one share of Hospira stock on April 30, 2004. Hospira included the operations relating to the manufacture and sale of hospital products including specialty injectable pharmaceuticals, medication delivery systems and critical care devices and injectable pharmaceutical contract manufacturing. Hospira included Abbott's Hospital products segment, after that segment's reorganization on January 1, 2004, and portions of Abbott's International segment. The income and cash flows of Hospira and the direct transaction costs of the spin–off have been presented as discontinued operations in the Condensed Consolidated Statement of Earnings and Condensed Consolidated Statement of Cash Flows.

The legal transfer of certain operations and assets (net of liabilities) outside the United States is expected to occur in 2005 and 2006. Approximately half of these operations are expected to be transferred to Hospira in 2005 with the remaining operations transferring in the first half of 2006. As of June 30, 2005, approximately 20 percent of these operations have been transferred to Hospira. These operations and assets are used in the conduct of Hospira's international business and Hospira is subject to the risks and entitled to the benefits generated by these operations and assets. These assets and liabilities have been presented as held for sale in the Condensed Consolidated Balance Sheet. The assets and liabilities held for sale consist primarily of inventories, trade accounts receivable, equipment and trade accounts payable, salaries and other accruals.

Summarized financial information for discontinued operations is as follows: *(dollars in thousands)*

	Three Months Ended June 30 2004	Six Months Ended June 30 2004
Net sales	$ 217,931	$ 793,129
Earnings before taxes	9,286	90,444
Taxes on earnings	9,906	30,429
Net earnings (loss)	(620)	60,015

The financial information above includes the operations of Hospira through April 30, 2004, the date of the spin–off. As a consequence, the results for the three months ended June 30, 2004 include only one month of the operations of Hospira and the results for the six months ended June 30, 2004 include only four months. The results of the discontinued operations also include direct transaction costs of approximately $32 million and $36 million in the three months and six months ended June 30, 2004, respectively.

Note 3 – Supplemental Financial Information
(dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net Interest Expense:				
Interest expense	$ 59,990	$ 48,329	$ 117,305	$ 93,361
Interest income	(16,746)	(13,433)	(31,791)	(23,024)
Total	$ 43,244	$ 34,896	$ 85,514	$ 70,337

Supplemental Cash Flow Information – Other, net in Net Cash From Operating Activities of Continuing Operations for 2005 includes the effects of contributions to the main domestic defined benefit plan of $641,000 and to the post–employment medical and dental plans of $140,000.

Note 4 – Taxes on Earnings

Taxes on earnings reflect the estimated annual effective rates and for the first six months 2005 include additional income taxes of approximately $52 million for remittances of foreign earnings of approximately $600 million in connection with the American Jobs Creation Act of 2004. In February 2005, management concluded that it would remit these earnings in 2005. 2004 includes the effects of charges for acquired in–process research and development and for other non–tax deductible items. The effective tax rates, excluding the effect of these 2005 and 2004 items, are less than the statutory U.S. federal income tax rate principally due to the domestic dividend exclusion and the benefit of lower statutory tax rates and tax exemptions in several taxing jurisdictions.

Note 5 – Litigation and Environmental Matters

As of December 31, 2004, there were several lawsuits pending in connection with the sales of *Hytrin*. These suits alleged that Abbott violated state or federal antitrust laws and, in some cases, unfair competition laws by signing patent settlement agreements with Geneva Pharmaceuticals, Inc. and Zenith Laboratories, Inc. in 1998. Those agreements related to pending patent infringement lawsuits between Abbott and the two companies. In the second quarter of 2005, the court approved settlements with the majority of the plaintiffs in the aggregate amount of $90 million which was previously reserved. The claims of the remaining plaintiffs are not material and are reserved for by Abbott.

Abbott has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of company–owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $3 million, and the aggregate cleanup exposure is not expected to exceed $20 million.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by Abbott. For its legal proceedings and environmental exposures, including those discussed in this note and in Note 6, Abbott estimates the range of possible loss to be from approximately $25 million to $75 million. Reserves of approximately $35 million have been recorded at June 30, 2005 for these proceedings and exposures. These reserves represent management's best estimate of probable loss, except for one which is recorded at the minimum, as defined by Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 6 – TAP Pharmaceutical Products Inc.

As of December 31, 2004, TAP Pharmaceutical Products Inc. (TAP) and Abbott were named as defendants in several lawsuits alleging violations of various state or federal laws in connection with TAP's marketing and pricing of *Lupron*. In the second quarter of 2005, the court approved settlements with the majority of the plaintiffs in the aggregate amount of $150 million which was previously reserved. The claims of the remaining plaintiffs are not material and are reserved for by TAP. Abbott's portion of TAP's remaining reserve is included in the reserve amounts and range in Note 5 above.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by TAP. While it is not feasible to predict the outcome of such pending claims, proceedings, and investigations with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

Note 7 – Post–Employment Benefits
(dollars in millions)

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans. Net cost recognized in continuing operations for the six months ended June 30 for Abbott's major defined benefit plans and post–employment medical and dental benefit plans is as follows:

	Defined Benefit Plans		Medical and Dental Plans	
	2005	2004	2005	2004
Service cost — benefits earned during the period	$ 106.0	$ 85.8	$ 21.5	$ 13.7
Interest cost on projected benefit obligations	132.1	113.3	31.5	25.7
Expected return on plans' assets	(181.2)	(126.9)	(4.4)	—
Net amortization	32.9	12.2	4.2	2.2
Net cost	$ 89.8	$ 84.4	$ 52.8	$ 41.6

In the second quarter 2004, Abbott reflected the requirements of Financial Accounting Standards Board Staff Position No. 106–2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." As a result, the projected benefit obligations related to benefits attributed to past service were reduced by approximately $210, and the net cost recognized in the second quarter 2004 was reduced by approximately $16.

Abbott funds its domestic defined benefit plans according to IRS funding limitations. In the first quarter 2005, $641 was contributed to the main domestic defined benefit plan and $140 was contributed to the post–employment medical and dental benefit plans. In the first quarter of 2004, $200 was contributed to the main domestic defined benefit plan.

Note 8 – Comprehensive Income, net of tax
(dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Foreign currency (loss) gain translation adjustments	$ (405,899)	$ (156,986)	$ (465,586)	$ 137,312
Minimum pension liability adjustments	—	(50,121)	—	(50,121)
Unrealized gains (losses) on marketable equity securities	4,137	(20,102)	(12,523)	(35,627)
Net adjustments for derivative instruments designated as cash flow hedges	23,883	7,672	48,560	12,021
Reclassification adjustments for realized gains	—	(8,707)	—	(20,632)
Other comprehensive income (loss), net of tax	(377,879)	(228,244)	(429,549)	42,953
Net Earnings	877,052	634,258	1,714,940	1,457,167
Comprehensive Income	$ 499,173	$ 406,014	$ 1,285,391	$ 1,500,120

Supplemental Comprehensive Income Information, net of tax:		
Cumulative foreign currency translation (income) adjustments	$ (1,249,315)	$ (991,074)
Minimum pension liability adjustments	355,103	329,276
Cumulative unrealized (gains) on marketable equity securities	(5,178)	(35,602)
Cumulative losses on derivative instruments designated as cash flow hedges	5,207	1,795

Note 9 – Segment Information *(dollars in millions)*

Revenue Segments — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Abbott's reportable segments are as follows:

Pharmaceutical Products — U.S. sales of a broad line of pharmaceuticals.

Diagnostic Products — Worldwide sales of diagnostic systems and tests for blood banks, hospitals, consumers, commercial laboratories and alternate–care testing sites. For segment reporting purposes, four diagnostic divisions are aggregated and reported as the Diagnostic products segment.

Ross Products — Primarily U.S. sales of a broad line of adult and pediatric nutritional products, pediatric pharmaceuticals and consumer products.

International — Non–U.S. sales of Abbott's pharmaceutical and nutritional products. Products sold by International are manufactured in domestic and international manufacturing locations.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are sold to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. Substantially all intangible assets and related amortization from business acquisitions are not allocated to segments. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements.

	Net Sales to External Customers				Operating Earnings			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004	2005	2004	2005	2004
Pharmaceutical	$ 1,933	$ 1,644	$ 3,803	$ 3,204	$ 550	$ 615	$ 1,111	$ 1,089
Diagnostics (worldwide)	957	848	1,844	1,607	130	90	227	152
Ross	589	520	1,266	1,186	138	158	374	438
International	1,769	1,521	3,521	3,025	521	392	1,027	793
Total Reportable Segments	5,248	4,533	10,434	9,022	1,339	1,255	2,739	2,472
Other	276	170	472	322				
Net Sales	$ 5,524	$ 4,703	$ 10,906	$ 9,344				
Corporate functions and benefit plans costs					88	81	136	154
Non–reportable segments					24	49	70	89
Net interest expense					43	35	86	70
Acquired in–process research and development					—	164	—	224
(Income) from TAP Pharmaceutical Products Inc. joint venture					(107)	(120)	(190)	(222)
Net foreign exchange loss					10	16	7	21
Other, net					135	154	306	232
Consolidated Earnings from Continuing Operations Before Taxes					$ 1,146	$ 876	$ 2,324	$ 1,904

Note 10 – Business Combinations and Technology Acquisitions

In April 2004, Abbott acquired TheraSense, Inc., a leader in the development, manufacturing and marketing of blood glucose self–monitoring systems, for approximately $1.2 billion in cash. Abbott also acquired certain other product technologies for approximately $352 million. These acquisitions resulted in a charge of $164 million for acquired in–process research and development, intangible assets of approximately $912 million, non–tax deductible goodwill of approximately $623 million and deferred income taxes of approximately $241 million. Acquired intangible assets, primarily product technology, are amortized over 9 to 17 years (average of approximately 13 years). In January 2004, Abbott acquired i–STAT Corporation, a manufacturer of point–of–care diagnostic products for blood analysis, for approximately $394 million in cash. In the first quarter of 2004, Abbott recorded a charge of approximately $60 million for acquired in–process research and development, intangible assets of approximately $263 million, non–tax deductible goodwill of approximately $109 million and deferred income taxes of approximately $105 million. Acquired intangible assets, primarily product technology, are amortized over 7 to 18 years (average of approximately 17 years). Had these acquisitions taken place on January 1 of the previous year, consolidated sales and income would not have been significantly different from reported amounts.